

ORRSTOWN FINANCIAL SERVICES INC  
Form FWP  
March 16, 2010

**Free Writing Prospectus**

**Filed Pursuant to Rule 433**

**Registration No. 333-164780**

**March 16, 2010**

Orrstown Financial Services, Inc.  
Orrstown Financial Services, Inc.  
Follow-on Offering of Common Shares  
\$40,000,000  
March 2010  
NASDAQ: ORRF  
Jeffrey  
Jeffrey  
W.  
W.  
Embly  
Embly  
EVP, Chief Credit Officer  
EVP, Chief Credit Officer  
Bradley  
Bradley  
S.  
S.  
Everly  
Everly  
SVP, Chief Financial Officer  
SVP, Chief Financial Officer  
Thomas R. Quinn, Jr.  
Thomas R. Quinn, Jr.  
President & Chief Executive Officer  
President & Chief Executive Officer

2  
Safe Harbor Regarding Forward-Looking Statements  
This  
presentation  
may  
contain  
forward-looking  
information

about  
Orrstown  
Financial  
Services,  
Inc.  
that  
is  
intended  
to  
be  
covered  
by  
the  
safe  
harbor  
for  
forward-looking  
statements  
provided  
by  
the  
Private  
Securities  
Litigation  
Reform  
Act  
of  
1995.  
Actual  
results  
and  
trends  
could  
differ  
materially  
from  
those  
set  
forth  
in  
such  
statements  
due  
to  
various  
risks,  
uncertainties  
and  
other  
factors.

Such risks, uncertainties and other factors that could cause actual results and experience to differ from those projected include, but are not limited to, the following: ineffectiveness of the Company's business strategy due to changes in current or future market conditions; the effects of competition, and of changes in laws

and regulations, including industry consolidation and development of competing financial products and services; interest rate movements; changes in credit quality; volatilities in the securities markets; and deteriorating economic conditions, and other risks and uncertainties, including those detailed in Orrstown Financial Services, Inc. s filings with the Securities and Exchange Commission. The

statements

are

valid

only

as

of

the

date

hereof

and

Orrstown

Financial

Services,

Inc.

disclaims

any

obligation

to

update

this

information.

Free Writing Prospectus Statement

The

Company

has

filed

a

registration

statement

(including

a

prospectus)

with

the

SEC

(File

No.

333-164780)

for

the

offering

to

which

this

communication

relates.

Before

you

invest,

you

should  
read  
the  
prospectus  
in  
that  
registration  
statement,  
the  
preliminary  
prospectus  
supplement  
and  
other  
documents  
that  
the  
Company  
has  
filed  
with  
the  
SEC  
for  
more  
complete  
information  
about  
the  
Company  
and  
the  
offering.  
You  
may  
obtain  
these  
documents  
without  
charge  
by  
visiting  
EDGAR  
on  
the  
SEC  
website  
at  
[www.sec.gov](http://www.sec.gov).  
Alternatively,



copies  
of  
the  
preliminary  
prospectus  
supplement  
and  
the  
prospectus  
relating  
to  
the  
offering  
may  
be  
obtained  
from  
Sandler  
O'Neill  
+  
Partners,  
L.P.,  
919  
Third  
Avenue,  
6th  
Floor,  
New  
York,  
NY  
10022,  
(800)  
635-6859  
or  
from  
Janney  
Montgomery  
Scott  
LLC  
at  
60 State St. 35th Floor, Boston, MA  
02109, (617) 557-2971, or by email at [prospectus@janney.com](mailto:prospectus@janney.com).  
Legal Disclaimers

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Issuer:

Orrstown Financial Services, Inc.

Type of Offering:

Follow-on Public Offering

Type of Security:

Common Stock

Ticker Symbol:

ORRF

Exchange:

NASDAQ Capital Market

Offering Size:

Gross Proceeds of \$40 Million

Over-Allotment Option:

15%

Use of Proceeds:

General corporate purposes including organic growth and strategic acquisitions

Sole Book-Running Manager:

Sandler O'Neill + Partners, L.P.

Co-Lead Manager:

Janney Montgomery Scott

Offering Details

4

Regional  
community  
bank  
with  
operations  
presence

in  
South  
Central  
Pennsylvania  
and  
Western  
Maryland

Deep  
and  
experienced  
management  
team  
with  
strong  
community  
ties,  
operational  
ability  
and  
proven  
track  
record  
of  
acquisition  
integration

Significant  
market  
share  
position  
and  
critical  
mass  
in  
its  
primary  
markets  
of  
operation

Opportunity  
to  
enhance  
position  
by  
taking  
advantage  
of  
market

dislocation  
to  
expand  
franchise  
through  
continued  
new  
hires,  
local  
franchise  
acquisitions  
and  
FDIC  
assisted  
transactions

Track  
record  
of  
strong  
profitability  
and  
delivery  
of  
value  
to  
shareholders

five  
year  
average  
ROAA  
of  
1.5%  
and  
ROAE  
of  
14.6%

Solid  
pre-offering  
capital  
position  
without  
having  
taken  
TARP  
funds

7.6%

TCE  
/  
TA  
(1)  
and  
11.3%  
Total  
Risk-Based  
Capital  
Ratio

Conservative  
lending  
practices  
have  
resulted  
in  
strong  
asset  
quality  
metrics  
in  
a  
difficult  
credit  
environment  
(NPAs  
/  
Assets  
of  
0.44%  
as  
of  
December  
31,  
2009)

Offering Highlights & Rationale

Source: Company Documents

(1)

The ratio of tangible common equity, or TCE, to tangible assets, or TA, is a non-GAAP-based financial measure. In order to compare common equity and tangible assets, the Company's management subtracts intangible assets from both common equity and assets. A comparable GAAP-based measure is the ratio of stockholders' equity to assets. Please see the Appendix for a reconciliation of these measures.

5  
2009 Achievements

Achieved record earnings in a challenging environment

Added 7,499 new customers as deposit base grew by more than 20%

12 net new hires, primarily in customer facing positions (including 14 sales-related



positions), bringing total headcount to nearly 300

Significant investment in technology, including consumer and mortgage lending initiatives

Trust and brokerage assets under management grew 24%

Increased  
dividends  
for  
over  
20  
consecutive  
years,  
10  
year  
annual dividend  
CAGR  
(1)  
of  
15.8%

Listed on the NASDAQ Capital Market and added to Russell 2000 and 3000 indices

Net charge-offs to average loans for 2009 of 11 basis points

(1) Compound Annual Growth Rate

6  
Franchise Overview

Headquartered in Shippensburg, PA

Founded in 1919

21 branches in Pennsylvania and Maryland

8 branches in Cumberland County, PA

7 branches in Franklin County, PA

4 branches in Perry County, PA

2 branches in Washington County, MD

\$1.2 billion in assets and \$915 million in deposits as of December 31, 2009

In addition to community banking services, provides trust and investment services to individuals, businesses, non-profits and municipalities (\$740 million of trust and brokerage assets under management)

Ranked as one of the top 200 best performing community banks in the nation since 2006 (based on 3 year average ROAE of publicly traded commercial banks)

(1)

(1)

Based

on

reports

published

by

U.S.

Banker

in

June

2006

-

2009.

7  
Experienced Management Team  
Executive  
Title  
Years with ORRF  
Banking Experience  
Thomas R. Quinn, Jr.  
President / CEO

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1 Year

20 Years

Jeffrey W. Embly

Executive Vice President / Chief Credit Officer

13 Years

18 Years

Bradley S. Everly

Senior Vice President / Chief Financial Officer

12 Years

32 Years

Philip E. Fague

Executive Vice President / Mortgage & Consumer Business

22 Years

22 Years

Jeffrey S. Gayman

Senior Vice President / Chief Commercial Officer

14 Years

15 Years

Barbara E. Brobst

Senior Vice President, Senior Trust Officer, Orrstown Financial Advisors

10 Years

29 Years

Gary R. Holder

Senior Vice President / Chief Retail Officer

7 Years

17 Years

Michelle N. Paulnock

Senior Vice President of Operations

1 Year

33 Years

Benjamin S. Stoops

Senior Vice President / Chief Technology Officer

12 Years

39 Years

Mark G. Bayer

Vice President & Director of Marketing

3 Years

23 Years

Stephen C. Caldwell

Vice President & Director of Human Resources

8 Years

8 Years

8  
\$601,460  
\$809,031  
\$884,979  
\$1,051,783  
\$1,196,432  
\$460,386  
\$618,827

\$701,964  
\$820,468  
\$881,074  
\$462,822  
\$638,719  
\$646,356  
\$757,368  
\$915,170

2005

2006<sup>1</sup>

2007

2008

2009

2005

2006<sup>1</sup>

2007

2008

2009

2005

2006<sup>1</sup>

2007

2008

2009

Note: Dollar values in thousands

Source: Company Documents

Track Record of Strong Growth

Assets

Loans

Deposits

CAGR: 17.6%

CAGR: 18.5%

CAGR: 18.8%

(1) 2006 reflects the acquisition of the First National Bank of Newport (\$120mm of assets and \$106mm of deposits)

9

Favorable Performance Relative  
to Regional Peers

(1)

(1) Includes publicly-traded Mid-Atlantic commercial banks with assets between \$1bn and \$2bn as identified in the Appendix.

23.22%

5

47.35%



6.71%

Non-Interest Income / Revenue

(0.01%)

3

1.36%

(3.98%)

2009 ROAA

(1.20%)

5

18.30%

(53.81%)

2009 ROAE

0.00%

17.79%

0.84%

5.65%

1.95%

55.42%

2.43%

0.69%

5

2.68%

NCOs / Average Loans

106.96%

3

426.42%

Reserves / NPAs

1.42%

6

3.56%

Reserves / Gross Loans

12.87%

16

17.89%

Total Risk-Based Capital Ratio

6.63%

6

13.15%

Tangible

Common

Equity

Ratio

(2)

68.92%

2

105.85%

Efficiency Ratio

3.56%

10

4.72%

Net Interest Margin

Metric

Range

Rank/19

Peer AVG.

3.66%

58.85%

7.6%

11.3%

1.26%

207.56%

12.48%

1.19%

0.11%

30.74%

Source: Company Documents; SNL Financial

(2) See note on page 4 regarding non-GAAP financial measures.

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Summary Financial Highlights

(2) See note on page 4 regarding non-GAAP financial measures.

Source: Company Documents; SNL

Year Ended December 31,

(Dollar Values in Thousands)

2005

2006

2007

2008

2009

Total Assets

\$601,460

\$809,031

\$884,979

\$1,051,783

\$1,196,432

Gross Loans

\$460,386

\$618,827

\$701,964

\$820,468

\$881,074

Total Deposits

\$462,822

\$638,719

\$646,356

\$757,368

\$915,170

Total Shareholder's Equity

\$57,310

\$89,388

\$96,124

\$103,347

\$110,886

Net Income

\$9,987

\$11,632

\$12,558

\$13,103

\$13,373

Diluted Earnings Per Share

\$1.69

\$1.79

\$1.86

\$1.94

\$1.98

Return on Average Assets

1.81%

1.61%

1.50%

1.38%

1.19%

Return on Average Equity

18.69%

15.10%

13.64%

13.20%

12.48%

Return  
on  
Average  
Tangible  
Equity

(1)

19.28%

18.98%

18.02%

17.02%

15.73%

Net Interest Margin

4.55%

4.32%

4.08%

3.93%

3.66%

Efficiency Ratio

52.86%

53.98%

55.58%

56.73%

58.85%

Non-Interest Expense / Avg. Assets

3.15%

2.99%

2.97%

2.98%

2.87%

Tang.  
Common  
Equity

/

Tang.  
Assets

(2)

9.2%

8.6%

8.7%

8.0%

7.6%

Total Risk-Based Capital Ratio

12.8%

12.0%

11.6%

10.9%

11.3%

Non-Performing Assets / Assets

0.30%

0.05%

0.04%

0.09%

0.44%

Loan Loss Reserves / Gross Loans

0.96%

0.89%

0.87%

0.87%

1.26%

(1) Return on average tangible equity is a non-GAAP-based financial measure calculated using non-GAAP-based amounts, including tangible assets and tangible common equity. The most directly comparable GAAP-based measure is return on average equity. See reconciliation of non-GAAP financial measures.

11  
Pro Forma Capital Ratios  
7.6%  
10.5%  
7.6%  
10.5%  
10.1%  
14.0%

11.3%

15.3%

0.00%

6.00%

12.00%

18.00%

TCE / TA

(1)

Tier

1

Leverage

(2)

Tier 1 RBC

(2)

Total RBC

(2)

31-Dec-09

Pro Forma

(1) See note on page 4 regarding non-GAAP financial measures.

(2) Calculated in accordance with bank regulatory requirements.

Note: Assumes a \$40 million offering with an underwriting spread of 5.50% and other expenses of \$250,000. Net proceeds are

Source: Company Documents



12  
0  
10,000  
20,000  
30,000  
40,000  
50,000  
60,000

70,000  
80,000  
03/07  
06/07  
09/07  
12/07  
03/08  
06/08  
09/08  
12/08  
03/09  
06/09  
09/09  
12/09  
03/10  
30%  
40%  
50%  
60%  
70%  
80%  
90%  
100%  
110%  
120%

Volume

ORRF

NASDAQ Bank Index

Regional Peers<sup>1</sup>

Stock Performance & Liquidity

Three Year Stock Price Performance

(44.22%)

(15.49%)

3.28%

ORRF Listed on NASDAQ

April 28, 2009

(1) Includes publicly-traded Mid-Atlantic commercial banks with assets between \$1bn and \$2bn as identified in the Appendix.

Source: SNL Financial

Average Daily Volume -

Pre and Post NASDAQ Listing

Feb. 23, 2007 -

April 27, 2009

1,063 shares

April 28, 2009 -

March. 12, 2010

12,978 shares

Price Performance Since NASDAQ Listing

48.16%

13

Targeted Market Area

Currently operating 21 full-service locations along the Route 81 corridor from Washington County, Maryland through Franklin, Cumberland and Perry Counties, Pennsylvania

The combined population of the current market area is approximately 573,000 as of June 30, 2009

The current combined market has over \$8.6 billion in total deposits as of June 30, 2009

Orrstown has \$915 million deposits as of December 31, 2009 or approximately 10.6% of the total market share in its market area

(1)

Source: SNL Financial; Company Documents

(1) Based on June 30, 2009 total deposits in market.

14  
Key Saturation Markets  
2.50%  
12.90%  
57.89%  
Deposit Growth  
Year-Over-Year  
(2)

(%)

Market

Population

Branches

2009

Deposits

(\$000)

(1)

2009

Total Market

(1)

Deposits (\$000)

Market Share

Market

Rank

Shippensburg

5,586

2 + 2 ATMs

\$232,393

\$380,911

61.01%

1

Carlisle

17,970

4

\$174,082

\$847,553

20.54%

2

Chambersburg

17,862

3

\$120,320

\$840,830

14.31%

3

(1) As of June 30, 2009

(2) June 30, 2008

June 30, 2009

Source: FDIC; National Census Bureau









15  
Market Share & Demographics  
(1)  
Data  
as  
of  
September  
30,  
2009  
(2)  
Based  
on  
FDIC  
data  
as  
of  
June  
30,  
2009  
Source:  
SNL  
Financial;  
Federal  
Housing  
Finance

Agency  
Home  
Price  
Index  
Perry  
Cumberland  
Washington  
Franklin  
Adams  
York  
Dauphin  
ORRF Market Share<sup>2</sup>  
2009  
Pop. Growth  
Household Inc. Growth  
Household Price Appreciation<sup>1</sup>  
Unemploy.  
Deposits  
Mkt. Share  
County  
Population  
'00 -  
'09  
08 -  
'14 Est.  
'00 -  
'09  
08 -  
'14 Est.  
1YR  
5YR  
Rate  
(\$000)  
Branches  
(%)  
Rank  
Current  
Counties  
of  
Operations  
Cumberland, PA  
232,724  
8.9%  
4.1%  
31.8%  
6.4%  
(3.5%)  
40.6%  
6.2%  
\$419,719

8  
9.95  
4  
Franklin, PA  
145,306  
12.4%  
5.9%  
27.9%  
4.3%  
(7.7%)  
(3.8%)  
7.2%  
\$265,171  
7  
14.08  
5  
Perry, PA  
45,728  
4.9%  
2.1%  
22.4%  
5.2%  
-  
-  
8.1%  
\$100,782  
4  
17.40  
2  
Washington, MD  
148,968  
12.9%  
5.8%  
22.0%  
7.9%  
-  
-  
7.8%  
\$23,588  
2  
1.21  
11  
Aggregate / Median  
572,726  
10.6%  
4.9%  
25.2%  
5.8%  
(5.6%)  
18.4%

7.5%  
\$809,260  
21  
Contiguous  
Counties  
Total In Market  
Adams, PA  
103,380  
13.2%  
5.3%  
26.2%  
3.0%  
-  
-  
6.7%  
\$1,176,372  
30  
York, PA  
258,263  
2.6%  
1.1%  
32.3%  
5.0%  
(5.7%)  
22.2%  
7.1%  
\$6,204,185  
100  
Dauphin, PA  
431,670  
13.1%  
6.4%  
30.6%  
3.9%  
-  
-  
6.8%  
\$4,611,726  
153  
Aggregate / Median  
793,313  
13.1%  
5.3%  
30.6%  
3.9%  
(5.7%)  
22.2%  
6.8%  
\$11,992,283  
283

Maryland

5,733,229

8.3%

3.1%

26.9%

4.2%

(7.5%)

16.0%

7.2%

Pennsylvania

12,598,860

2.6%

0.8%

32.7%

4.9%

(1.4%)

22.3%

8.5%

US

309,731,508

10.1%

4.6%

29.8%

4.1%

(3.8%)

4.6%

9.7%

16  
Deposit Composition  
Source: Company Documents  
(Dollars in Thousands)  
December 31, 2007  
December 31, 2008  
December 31, 2009  
Deposit Type

Amount
% of Total
Amount
% of Total
Amount
% of Total
Period End Balances
Non-Interest Bearing DDA
\$91,365
14.1%
\$84,261
11.1%
\$90,676
9.9%
Interest Bearing DDA
231,413
35.8%
272,372
36.0%
353,428
38.6%
Savings deposits
64,292
9.9%
60,846
8.0%
60,032
6.6%
Time deposits < \$100,000
147,211
22.9%
211,354
27.9%
179,362
19.6%
Time deposits > \$100,000
112,075
17.3%
128,535
17.0%
231,672
25.3%
Total
\$646,356
100.0%
\$757,368
100.0%
\$915,170
100.0%
Annual Growth



1.2%

17.2%

20.8%

Average Total Deposit Cost

2.89%

2.07%

1.52%

17  
Investment Portfolio  
Gov't  
Agency  
60.0%  
CMO  
4.0%  
Municipal

19.0%

Cert. of Dep.

2.0%

MBS

15.0%

Current Par Distribution

Source: Company Documents

As of December 31, 2009, the market value of the investment portfolio was approximately \$203 million

Duration of 3.4 years and average life of 4.0 years

Investment portfolio is comprised of 97% A or better rated securities

Currently do not hold any corporate or high-yield instruments

AAA

83.5%

A

3.3%

NR

1.4%

BB

0.3%

BBB

1.3%

AA

10.1%

Debt Portfolio Breakdown by Rating

18  
Historical Credit Cycle Analysis  
NCOs/Average Loans  
0.0%  
0.1%  
0.2%  
0.3%  
0.4%

0.5%

ORRF

Regional Peers<sup>1</sup>

0.06%

0.54%

0.26%

0.11%

Non-Performing Assets/Total Assets

0.0%

0.5%

1.0%

1.5%

2.0%

ORRF

Regional Peers<sup>1</sup>

0.09%

1.28%

0.63%

0.44%

(1) Includes publicly-traded Mid-Atlantic commercial banks with assets between \$1bn and \$2bn as identified in the Appendix

Source: Company Documents; SNL Financial

19  
Disciplined Credit Culture

Created  
the  
position  
of  
Chief

Credit  
Officer  
in  
September  
2009  
to  
further  
strengthen  
the  
approval  
process  
and  
provide  
independence  
between  
sales  
and  
credit

Conservative  
Loan  
Approval  
Authorities:

No  
individual  
commercial  
lender  
has  
a  
maximum  
aggregate  
approval  
authority  
over  
\$350,000

Chief  
Commercial  
Officer s  
maximum  
aggregate  
approval  
authority  
of  
\$500,000

Chief  
Credit  
Officer s

maximum  
aggregate  
approval  
authority  
of  
\$1  
million,  
with  
any  
single  
loan  
approved  
of  
\$500,000 or  
greater  
reviewed  
and  
ratified  
by  
Executive  
Loan  
Committee

Maximum  
joint  
authority  
of  
\$1.5  
million  
with  
required  
ratification  
by  
Executive  
Loan  
Committee

Global  
credit  
oversight  
by  
the  
Bank s  
Credit  
Administration  
Committee,  
which  
is  
comprised  
of



four  
independent  
directors

Annual  
review  
process  
that  
focuses  
on  
the  
review  
of:

All  
loan  
relationships  
with  
aggregate  
committed  
exposure  
greater  
than  
or  
equal  
to  
\$750,000,  
all  
Reg  
O  
loans,  
a  
sample  
of  
5%  
of  
loan  
relationships  
under  
the  
threshold  
and  
any  
credits  
determined  
by  
the  
Committee  
to  
be

deserving  
of  
special  
attention

Additionally,  
all  
loan  
relationships  
with  
aggregate  
committed  
exposure  
less  
than  
or  
equal  
to  
\$1  
million  
are  
rated,  
with  
committee  
ratification  
and  
approval  
of  
all  
gradings

20  
Proactive & Thorough Approach  
to Credit

In  
November  
2009,  
the

Bank  
undertook  
an  
expanded  
review  
of  
the  
commercial  
loan  
portfolio  
which  
covered  
\$526  
million  
in  
outstanding  
and  
committed  
balances

This  
review  
was  
in  
addition  
to  
the  
normal  
loan  
review  
process  
conducted  
by  
loan  
review  
officers  
and  
the  
Bank's  
Credit  
Administration  
Committee

The  
specific  
review  
process  
included:

employees  
and  
2  
contract  
employees

Review  
of  
all  
commercial  
loan  
relations  
with  
an  
aggregate  
committed  
exposure  
greater  
than  
or  
equal  
to  
\$750,000

Review  
focused  
on  
global  
cash  
flow  
and  
debt  
service  
coverage  
ratios  
of  
the  
borrower,  
LTV  
ratios  
shocked  
10  
and  
20%,  
and  
borrowers  
and  
guarantors  
cash  
flow

and  
liquidity

Reserves  
increased  
from  
0.87%  
to  
1.26%  
as  
a  
percentage  
of  
gross  
loans  
(aggregate  
2009  
provision  
of  
\$4.9  
million  
(\$3.6  
million  
Q4  
2009)  
versus  
\$938,000  
of  
net  
charge  
offs)

21  
Commercial  
75%  
Consumer  
1%  
Residential  
Mortgage  
11%

Home Equity

Loans & Lines

13%

C&I, Term and

Other

37%

Construction &

Land

Development

17%

Owner Occupied

23%

Multifamily

4%

Non-Owner

Occupied

19%

Loan Portfolio Overview

Loans Stratification by Purpose

Gross Loans: \$881 million

Most

Recent

Quarter

Yield:

5.46%

Commercial Loans by Purpose

Source: Company Documents

Commercial



22

Loan Portfolio Overview

Geographic Distribution<sup>1</sup>

Commercial Loans by Industry

Cumberland,

PA

41%

Washington,

MD  
13%  
Other  
13%  
Franklin, PA  
27%  
Perry, PA  
6%  
(1) Based on location where the borrower resides  
Source: Company Documents  
CRE - Owner-  
Occ. and Non  
Owner-Occ.  
39%  
Public Admin.  
5%  
Non-profit  
2%  
Other  
4%  
Transport  
1%  
Service &  
Entertainment  
9%  
Healthcare  
2%  
Professional  
8%  
Finance  
2%  
Retail Trade  
4%  
Agriculture  
2%  
Wholesale Trade  
1%  
C&D  
19%  
Manufacturing  
2%

23

1.27%

Asset Quality Summary

Source: Company Documents, SNL

For the Quarter ended,

(Dollars in Thousands)

12/31/2008

03/31/2009

06/30/2009  
 09/30/2009  
 12/31/2009  
 30-89 Days Past Due  
 12,178  
 13,824  
 16,563  
 12,702  
 19,043  
 90 Days Past Due and Still Accruing  
 6,176  
 6,506  
 6,324  
 8,186  
 6,155  
 Total Non-Performing Loans and Leases  
 341  
 562  
 1,905  
 4,710  
 4,267  
 ORE and Repossessed Assets  
 608  
 558  
 939  
 920  
 1,065  
 NPAs  
 & 90 Day Delinquent  
 7,125  
 \$  
 7,626  
 \$  
 9,168  
 \$  
 13,816  
 \$  
 11,487  
 \$  
 Non-Performing Loans / Total Loans  
 0.04%  
 0.07%  
 0.23%  
 0.54%  
 0.48%  
 Non-Performing Assets / Total Assets  
 0.09%  
 0.10%  
 0.26%  
 0.49%

0.44%

Loan Loss Reserve

7,140

\$

7,174

\$

7,413

\$

7,963

\$

11,067

\$

Loan Loss Reserves / Gross Loans

0.87%

0.87%

0.88%

0.92%

1.26%

Reserves / NPLs

2,094%

1,277%

389%

169%

259%

Net Charge-Offs

226

181

61

200

496

Net Charge-Offs / Average Loans (Annualized)

0.11%

0.09%

0.03%

0.09%

0.23%

Provision / Net Charge-Offs

344%

119%

492%

375%

726%

24  
Commercial  
85%  
Res.  
Mortgage  
14%  
Installment  
1%

Nonperforming Assets

NPAs

by Type

NPAs

by

Market

1

(1) Based on location where the borrower resides

Source: Company Documents

(Dollar Values in Thousands)

Non-Acc.

Total

Gross

NPAs

/

County

Loans

OREO

NPAs

Loans

Loans+REO

Cumberland, PA

\$14

\$59

\$73

\$363,533

0.02%

Franklin, PA

\$1,892

\$565

\$2,457

\$239,512

1.02%

Perry, PA

\$1,188

\$233

\$1,421

\$49,822

2.84%

Washington, MD

\$1,173

\$98

\$1,271

\$111,195

1.14%

Other

\$0

\$110

\$110

\$117,012

0.09%

Total

\$4,267

\$1,065

\$5,332

\$881,074

0.60%



25

Home Price Appreciation (PA)

(2.00%)

0.00%

2.00%

4.00%

6.00%

8.00%

10.00%

12.00%

14.00%

2004

2005

2006

2007

2008

2009-Q3

Pennsylvania (5Yr Avg.)

Harrisburg - Carlisle, PA (5Yr Avg.)

Source: Federal Housing Finance Agency; Freddie Mac

26

Credit Quality Trends

Net Charge-Offs / Average Loans

Non-Performing Assets / Total Assets

Reserves / Loans

Delinquencies / Loans

0.30%

0.05%

0.04%  
0.09%  
0.44%  
0.00%  
0.25%  
0.50%  
0.75%  
1.00%  
1.25%  
1.50%  
2005  
2006  
2007  
2008  
2009  
ORRF  
Regional Peers<sup>1</sup>  
0.96%  
0.89%  
0.87%  
0.87%  
1.26%  
0.85%  
0.95%  
1.05%  
1.15%  
1.25%  
2005  
2006  
2007  
2008  
2009  
ORRF  
Regional Peers<sup>1</sup>  
0.11%  
0.06%  
0.02%  
0.00%  
0.01%  
0.00%  
0.10%  
0.20%  
0.30%  
0.40%  
0.50%  
0.60%  
2005  
2006  
2007  
2008

2009

ORRF

Regional Peers<sup>1</sup>

3.34%

2.30%

1.90%

1.40%

1.00%

0.50%

1.00%

1.50%

2.00%

2.50%

3.00%

3.50%

4.00%

4.50%

5.00%

2005

2006

2007

2008

2009

ORRF

Regional Peers<sup>1</sup>

(1) Includes publicly-traded Mid-Atlantic commercial banks with assets between \$1bn and \$2bn as identified in the Appendix

Source: Company Documents; SNL Financial

27

Continue  
to  
diversify  
-  
add  
additional

consumer  
retail  
products  
and  
services  
and  
expand  
delivery  
channels

Technology  
enhancements  
to  
support  
consumer  
retail  
growth,  
diversification,  
and  
non-  
interest  
income  
goals:

Implementing  
centralized  
consumer  
loan  
underwriting  
system

Mortgage  
Builder®  
end-to-end  
mortgage  
origination  
software  
launched  
in  
March

MCIF/CRM  
system  
implemented  
in  
2010

New  
web  
site

in  
2010  
(will  
provide  
platform  
for  
new  
consumer  
and  
mortgage  
products)

Emphasis  
on  
growing  
mortgage  
business:

New  
products  
(FHA,  
VA,  
USDA  
Guaranteed  
Rural  
Housing,  
PHFA  
First  
Time  
Home  
Buyers)

Expanded  
mortgage  
origination  
team

Significant  
investment  
in  
technology  
to  
support  
higher  
volumes

Continue  
to  
take  
advantage



of  
market  
dislocation  
to  
hire  
talented  
bankers  
in  
the  
area

Launch  
of  
formal  
Rising  
Star  
program  
to  
identify  
and  
promote  
the  
best  
and  
brightest  
from  
within  
the  
organization

Focus  
on  
gaining  
wallet  
share  
through  
needs  
analysis  
assessment  
of  
customer  
base

The Road Ahead: 2010

28

Established South-Central Pennsylvania bank with a history of strong performance

Emphasis on credit quality, return to shareholders, solid financial performance, and delivering peer-group leading results

Well-positioned for future growth throughout the region, both organically and through acquisitions

Deep and experienced management team with strong community ties and operational ability

Investment Highlights



30

Regional Peer Analysis

(1) See note on page 4 regarding non-GAAP financial measures.

Note: Includes publicly-traded commercial banks with assets between \$1bn and \$2bn headquartered in the Mid Atlantic  
Financial data as of December 31, 2009; Market data as of March 12, 2010

Source: Company Documents; SNL Financial

Balance Sheet

Non-

Total  
Int. Inc./  
Res./  
NCOs/  
NPAs/  
Total  
Total  
Gross  
TCE /  
RBC  
Eff.  
Total  
Gross  
Res./  
Ave  
Total  
Market  
Dividend  
Assets  
Deposits  
Loans  
TA  
(1)  
Ratio  
ROAA  
ROAE  
NIM  
Ratio  
Rev.  
Loans  
NPAs  
Loans  
Assets  
Cap.  
Yield  
Company  
St.  
Ticker  
(\$mm)  
(\$mm)  
(\$mm)  
(%)  
(%)  
(%)  
(%)  
(%)  
(%)  
(%)  
(%)  
(%)  
(%)

(%)

(%)

(\$mm)

(%)

Arrow Financial Corporation

NY

AROW

1,842

1,444

1,112

6.8

15.4

1.24

16.16

3.58

59.41

24.52

1.26

315.42

0.09

0.24

286.3

3.82

Eagle Bancorp, Inc.

MD

EGBN

1,806

1,460

1,401

9.0

13.6

0.65

6.49

3.85

63.67

8.99

1.47

76.00

0.42

2.14

238.3

0.00

Suffolk Bancorp

NY

SUBK

1,694

1,385

1,160

8.1

11.7

1.36

18.30

4.72

56.17

13.01

1.06

59.51

0.09

0.96

304.4

2.78

First United Corporation

MD

FUNC

1,682

1,237

1,138

3.6

11.3

(0.14)

(2.50)

3.67

60.01

23.47

1.49

21.14

0.91

4.39

35.9

0.68

First of Long Island Corporation

NY

FLIC

1,675

1,278

828

6.9

15.8

0.96

12.14

3.87

63.02

11.72

1.25

NM

0.00

0.04

184.3

3.13

State Bancorp, Inc.



NY  
STBC  
1,608  
1,350  
1,098  
7.0  
12.5  
(0.91)  
(9.77)  
4.03  
71.88  
6.71  
2.61  
426.42  
2.64  
2.09  
128.4  
2.54

Canandaigua National Corporation

NY  
CNND  
1,566  
1,378  
1,160  
6.2  
13.8  
0.99  
14.58  
4.06  
61.65  
31.44  
1.23  
66.77  
0.19  
1.36  
150.7  
3.22

Peapack-Gladstone Financial Corporation

NJ  
PGC  
1,512  
1,350  
984  
6.1  
13.6  
0.49  
6.11  
3.58  
65.95  
22.13

1.34  
58.01  
0.61  
1.50  
118.0  
1.48  
Tower Bancorp, Inc.  
PA  
TOBC  
1,477  
1,222  
1,148  
10.2  
14.5  
0.32  
3.22  
3.49  
69.32  
18.95  
0.84  
171.74  
0.17  
0.38  
194.1  
4.11  
Alliance Financial Corporation  
NY  
ALNC  
1,417  
1,076  
915  
6.0  
13.1  
0.81  
8.68  
3.37  
66.23  
30.13  
1.03  
125.42  
0.64  
0.64  
132.0  
3.92  
First Mariner Bancorp  
MD  
FMAR  
1,385  
1,147  
1,013

2.0  
5.7  
(1.69)  
(53.81)  
2.43  
104.26  
47.35  
1.15  
17.79  
1.17  
4.89  
7.7  
0.00  
Royal Bancshares of Pennsylvania, Inc.  
PA  
RBPAA  
1,362  
908  
706  
6.1  
15.9  
(3.98)  
(47.71)  
2.45  
105.85  
20.27  
3.56  
22.15  
2.68  
7.76  
27.8  
0.00  
Citizens & Northern Corporation  
PA  
CZNC  
1,322  
927  
722  
8.7  
17.9  
(3.03)  
(27.74)  
3.84  
55.42  
22.58  
1.15  
80.31  
0.04  
0.84  
141.8

2.74  
VIST Financial Corp.  
PA  
VIST  
1,309  
1,021  
913  
4.6  
11.8  
0.04  
0.48  
3.06  
76.28  
34.34  
1.25  
31.65  
0.58  
2.80  
51.1  
2.27  
Bryn Mawr  
Bank Corporation  
PA  
BMTC  
1,239  
938  
889  
7.5  
12.5  
0.88  
10.55  
3.70  
67.47  
38.90  
1.17  
120.26  
0.76  
0.67  
162.4  
3.06  
Center Bancorp, Inc.  
NJ  
CNBC  
1,197  
814  
715  
6.4  
12.5  
0.37  
4.87

2.85  
64.82  
10.71  
1.16  
102.69  
0.18  
0.67  
127.7  
1.37  
CNB Financial Corporation  
PA  
CCNE  
1,162  
957  
715  
5.1  
12.0  
0.80  
12.99  
3.82  
64.77  
20.64  
1.35  
70.25  
0.49  
1.20  
153.6  
3.78  
Shore Bancshares, Inc.  
MD  
SHBI  
1,157  
991  
917  
9.4  
12.6  
0.65  
5.39  
3.90  
64.43  
32.02  
1.19  
52.80  
0.81  
1.37  
112.4  
1.80  
High  
1,842  
1,460

1,401  
10.2  
17.9  
1.36  
18.30  
4.72  
105.85  
47.35  
3.56  
426.42  
2.68  
7.76  
304.4  
4.11  
Low  
1,157  
814  
706  
2.0  
5.7  
(3.98)  
(53.81)  
2.43  
55.42  
6.71  
0.84  
17.79  
0.00  
0.04  
7.7  
0.00  
Mean  
1,467  
1,160  
974  
6.6  
13.1  
(0.01)  
(1.20)  
3.57  
68.92  
23.22  
1.42  
106.96  
0.69  
1.89  
142.1  
2.26  
Median  
1,447

1,184  
950  
6.6  
12.9  
0.57  
5.75  
3.69  
64.80  
22.35  
1.24  
70.25  
0.54  
1.28  
136.9  
2.64  
Orrstown  
Financial Services, Inc.  
PA  
ORRF  
1,196  
915  
881  
7.6  
11.3  
1.19  
12.48  
3.66  
58.85  
30.74  
1.26  
207.56  
0.11  
0.44  
227.2  
2.49  
Asset Quality  
Profitability (LTM)  
Valuation

31

Non-  
GAAP Financial Measures

The ratio of tangible common equity to tangible assets is a non-GAAP-based financial measure calculated using non-GAAP-based amounts.

The  
most



directly  
comparable  
GAAP-based  
measure  
is  
the  
ratio  
of  
stockholders  
equity  
to  
assets.

In  
order  
to  
calculate tangible common equity and tangible assets, the Company's management subtracts intangible assets from both common equity and assets. Tangible common equity is then divided by tangible assets to arrive at the ratio of tangible common equity to tangible assets. Management uses the ratio of tangible common equity to tangible assets to assess the strength  
of  
the  
Company's  
capital  
position.

A  
reconciliation  
of  
the  
ratio  
of  
stockholders  
equity  
to  
assets  
and  
tangible  
common

equity to tangible assets is set forth below.

Year Ended December 31,  
(Dollar Values in Thousands)

2005

2006

2007

2008

2009

Common Equity

57,310

89,388

96,124

103,347

110,886

Intangible Assets

1,935

21,567

21,368

21,186

20,938

Tangible Common Equity

55,375

67,821

74,756

82,161

89,948

Assets

601,460

809,031

884,979

1,051,783

1,196,432

Intangible Assets

1,935

21,567

21,368

21,186

20,938

Tangible Assets

599,525

787,464

863,611

1,030,597

1,175,494

Equity / Assets

9.53%

11.05%

10.86%

9.83%

9.27%

Tangible Common Equity / Tangible Assets

9.24%

8.61%

8.66%

7.97%

7.65%

32

Non-

GAAP Financial Measures

Return on average tangible equity is a non-GAAP-based financial measure calculated using non-GAAP-based amounts. The most directly comparable GAAP-based measure

is return on average equity, which is calculated using GAAP-based amounts.

The Company calculates the return on average tangible equity by excluding the balance of intangible assets and their related amortization expense from the calculation of return on average equity. Management uses the return on average tangible

equity to assess the Company's core operating results and believes that this is a better measure of our performance. In addition, this is consistent with the treatment by bank regulatory agencies, which exclude goodwill and other intangible assets from the calculation of risk-based capital ratios. However, these non-GAAP financial measures are supplemental and are not a substitute for an analysis based on GAAP measures. A reconciliation of return on average equity to the return on average tangible equity is set forth below.

Year Ended December 31,

(Dollar Values in Thousands, Except Per Share)

2005

2006

2007

2008

2009

Return on average equity (GAAP basis)

18.69%

15.10%

13.64%

13.20%

12.48%

Effect of excluding average intangible assets and related amortization

0.59%

3.88%

4.38%

3.82%

3.25%

Return on average tangible equity

19.28%

18.98%

18.02%

17.02%

15.73%